

STATE OF ILLINOIS

ILLINOIS COMMERCE COMMISSION

LEAF RIVER TELEPHONE COMPANY	}	
	}	
Petition for approval of a stock	}	Docket No.
redemption pursuant to Section	}	
7-204 of the Public Utilities Act.	}	

DIRECT TESTIMONY OF MAXINE L. PALMER

ON BEHALF OF

LEAF RIVER TELEPHONE COMPANY

*Applicant's*

*2/18/04*

*03-0742*  
*4*

*JK*

1   **Q.    Please state your name.**

2   A.    Maxine L. Palmer.

3   **Q.    What is your position with Leaf River Telephone Company?**

4   A.    I am the Secretary-Treasurer and one of the directors.

5   **Q.    Who are the other officers and directors of the company?**

6   A.    My mother, Katherine L. Barney, is the President and other director of Leaf River  
7       Telephone Company. My brother, Eugene Barney, is the Vice President.

8   **Q.    What is the nature of the business of Leaf River Telephone Company?**

9   A.    Leaf River Telephone Company is a local exchange carrier serving the Village of  
10       Leaf River and the surrounding area. The company has one exchange and has  
11       approximately 580 access lines. The service we provide is non-competitive.

12   **Q.    How long have you been affiliated with Leaf River Telephone**  
13       **Company?**

14   A.    My grandfather acquired the company in 1954. He had all 350 shares of  
15       outstanding stock in Leaf River Telephone Company. In 1979 his health  
16       deteriorated and before undergoing life threatening surgery, he gave 118 shares of  
17       stock to my uncle, Max Robinson, another 116 shares of stock to my mother,  
18       Katherine L. Barney, and the remaining 116 shares to me. In 1982, Leaf River  
19       Telephone Company purchased two shares of Max Robinson's stock so that all  
20       three shareholders held an equal amount of shares. In 1995, Max Robinson  
21       agreed to sell his remaining 116 shares to Leaf River Telephone Company and he  
22       retired as an officer and director. The Commission approved the redemption of  
23       his stock in Docket 95-0086. Subsequently, my mother gifted 29 shares of stock

1 to my sister, Diane Barney, and 3 shares of her stock to my brother, Eugene  
2 Barney.

3 **Q. Does Leaf River Telephone Company have a certificate from this**  
4 **Commission to provide local exchange service?**

5 A. Yes it does.

6 **Q. Is L.R. Communications a subsidiary of Leaf River Telephone**  
7 **Company?**

8 A. Yes it is.

9 **Q. Is L.R. Communications involved in a competitive service?**

10 A. Yes it is.

11 **Q. Does L.R. Communications hold a certificate to provide long distance**  
12 **or interexchange service on a resold basis?**

13 A. Yes it does.

14 **Q. Does Leaf River Telephone Company have any other subsidiaries?**

15 A. Yes, Leaf River Telephone Company owns 100% of the stock in Grand River  
16 Cablevision, Inc., which provides a cable T.V. service to about 100 customers.

17 **Q. Is Leaf River Telephone Company seeking approval in this docket to**  
18 **purchase 58 shares of stock owned by Katherine Barney?**

19 A. Yes. In 1991, Max Robinson, Katherine L. Barney and I entered into a  
20 stockholders agreement with the company. That agreement provided for a stock  
21 buyout upon the occurrence of certain events. One of those events was reaching  
22 the age of 75. On March 3, 2003, Katherine Barney reached age 75. At that time  
23 she gifted 26 shares of Leaf River Telephone Company stock to Diane Barney, and  
24 she now owns 84 shares. The Stockholders Agreement was amended to allow

1 Katherine L. Barney her to keep 26 shares of stock and for Leaf River Telephone  
2 Company to purchase her remaining 58 shares of stock.

3 **Q. And will those 58 shares be held as treasury stock?**

4 A. Yes.

5 **Q. Is there a written agreement in place between Leaf River Telephone**  
6 **Company and Katherine L. Barney your mother reflecting the terms**  
7 **of sale?**

8 A. Yes there is.

9 **Q. Does that include the price to be paid?**

10 A. Yes, it does.

11 **Q. Let me hand you Proprietary Ex. 1 and ask you to identify this.**

12 A. This is the true and accurate copy of the Shareholders Agreement entered into  
13 between Max Robinson, Katherine L. Barney, and myself.

14 **Q. Are you familiar with Max Robinson's signature and Katherine**  
15 **Barney's signature?**

16 A. Yes.

17 **Q. Do their signatures appear on this document?**

18 A. Yes.

19 **Q. Is your signature also on proprietary Ex. 1?**

20 A. Yes.

21 **Q. And does proprietary Ex. 2 reflect the Amendment to the**  
22 **Shareholders Agreement and terms of sale between Leaf River**  
23 **Telephone Company and Katherine L. Barney?**

24 A. Yes, it does.

1    **Q.    Did the Board of Directors of Leaf River Telephone Company approve**  
2        **the transaction reflected in Proprietary Ex. 2?**

3    A.    Yes it did.

4    **Q.    In your opinion, are the terms of the amended agreement fair and**  
5        **reasonable to all parties?**

6    A.    Yes.

7    **Q.    Have you been involved in the management of Leaf River Telephone**  
8        **Company since 1979?**

9    A.    Yes. I have been the corporate secretary-treasurer since that time and a member  
10       of the board of directors.

11   **Q.    How long has Katherine L. Barney been President of Leaf River**  
12       **Telephone Company?**

13   A.    Katherine Barney has been running the day-to-day operations of Leaf River  
14       Telephone Company since 1979 and she has been President of Leaf River  
15       Telephone Company since 1984.

16   **Q.    If the Commission approves the proposed transaction, will Leaf River**  
17       **Telephone Company have the same management?**

18   A.    Yes. Katherine L. Barney will remain active, and she will continue to remain  
19       President and handle the day-to-day affairs of Leaf River Telephone Company.

20   **Q.    Will the proposed stock redemption affect Leaf River Telephone**  
21       **Company's ability to perform its duties under the Act?**

22   A.    No, it will not, and from the customer's viewpoint, this transaction will be  
23       transparent without any change in operations or service, and the company will

1 continue to buy goods and services from businesses in the same manner as it has  
2 in the past.

3 **Q. Will the proposed stock redemption diminish the company's ability to**  
4 **provide adequate, reliable, efficient, safe and least cost**  
5 **telecommunications service to the public?**

6 A. No.

7 **Q. How is Leaf River Telephone Company going to finance the stock**  
8 **redemption?**

9 A. The stock redemption will be financed by entering into a promissory note with  
10 Katherine L. Barney to pay her 10% down on the purchase price with the  
11 remaining balance payable over 20 years with interest adjusted annually.

12 **Q. Let me hand you Proprietary Ex. 3, and ask you if this is a true and**  
13 **accurate copy of the promissory note that the company will execute at**  
14 **closing in favor of Katherine L. Barney.**

15 A. Yes it its.

16 **Q. Will the proposed stock redemption result in the unjustified**  
17 **subsidization of any non-utility activities?**

18 A. No, it will not.

19 **Q. Will the costs and facilities of Leaf River Telephone Company be fairly**  
20 **and reasonably allocated between utility and non-utility activities**  
21 **after the stock redemption is closed?**

22 A. Yes, it will. We will continue to follow the Commission's rules in that regard.

1   **Q.   Will the proposed stock redemption significantly impair Leaf River**  
2       **Telephone Company's abilities to raise necessary capital on**  
3       **reasonable terms or to maintain a reasonable capital structure?**

4   A.   No.

5   **Q.   Will Leaf River Telephone Company remain subject to and abide by**  
6       **all applicable laws, regulations, rules, decisions, and policies**  
7       **governing the regulation of telecommunications carriers under the**  
8       **Public Utilities Act?**

9   A.   Yes, it will.

10  **Q.   In your opinion, can Leaf River Telephone Company afford this**  
11       **proposed stock redemption?**

12  A.   Yes, it can. I am confident that this stock purchase is affordable and in the best  
13       interest of the company. The company has the necessary cash on hand to make  
14       the initial deposit. In my opinion, this agreement is reasonable and it gives some  
15       predictability and stability to the purchase of her stock without any family  
16       disputes.

17  **Q.   When do you expect to close the transaction if permission is granted**  
18       **by the Commission?**

19  A.   We will close promptly after the Commission's order is entered. We anticipate  
20       closing early in 2004.

21  End of Testimony